Invoice Accuracy

INDUSTRY SURVEY AND BENCHMARKS

2000 REPORT

Grocery Manufacturers of America

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Invoice Accuracy:
2000 Industry Survey & Benchmarks

by

Prime Consulting Group, inc.

PCi

for the

Grocery Manufacturers of America

GROCERY MANUFACTURERS OF AMERICA

GROCERY MANUFACTURERS OF AMERICA

GMA member price: $25
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GMA is the world's largest association of food beverage and consumer product companies. With U.S. sales of more than $450 billion, GMA members employ more than 2.5 million workers in all 50 states. The organization applies legal, scientific and political expertise from its member companies to vital food, nutrition and public policy issues affecting the industry. Led by a board of 44 Chief Executive Officers, GMA speaks for food and consumer product suppliers at the state, federal and international levels on legislative and regulatory issues. The association also leads efforts to increase productivity, efficiency and growth in the food, beverage and consumer products industry.

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Vlasic Foods International, Inc.
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* *Members of the GMA Invoice Accuracy Steering Company*

GMA Provides Additional Invoice Accuracy Services

In addition to publishing this survey report annually, GMA conducts invoice accuracy share groups for non-competing companies.

Contact Erin Harcourt of the GMA staff for further information at 202.337.9400 or eeh@gmabrands.com.

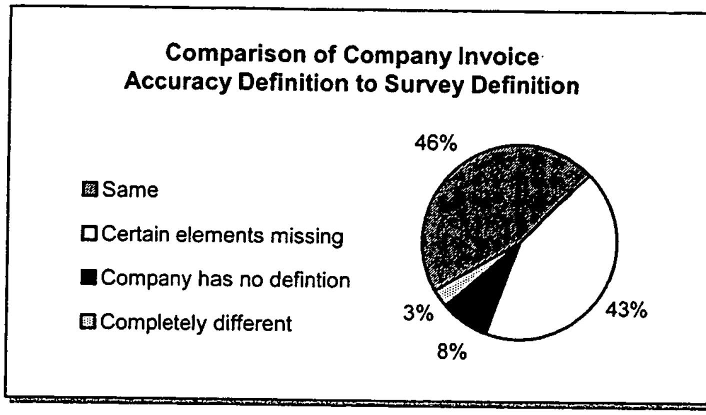
Executive Summary

This report contains results from the 2000 GMA invoice accuracy survey. Where appropriate and measurable, trend data are reported from prior surveys. The 35 companies who responded to the questionnaire in 2000 had an average of $2.3 billion in annual invoiced sales.

Invoice Accuracy Defined

In the 1999 survey, 90 percent of respondents said a detailed, standard industry definition of invoice accuracy would be useful for discussions with trading partners. Companies also provided their own invoice accuracy definitions. From these responses, the GMA Invoice Accuracy Steering Committee created the definition included in this year's survey.

Nearly half (46 percent) of the respondents use the committee's definition. Another 43 percent use a similar definition.



Seventy-seven percent of companies this year believe the committee's definition is good. Of those who do not, half said this is because quantity information should be more detailed, e.g., the definition should also include number of pieces/case pack information. They also noted that the definition is less relevant for DSD companies. As a result of this two-year industry comment period, the GMA Invoice Accuracy Committee submits the following revised definition:

An invoice is defined as accurate when the customer's purchase order completely matches the manufacturer's invoice, specifically in the following areas:

- *Prices*
- *Allowances*
- *Number of cases*
- *Case pack*
- *Terms of sale*
- *U.P.C.'s*

Several companies addressed an interesting point in the open-ended comments about this definition. As written, the definition states an invoice is accurate when the customer's *order* matches the manufacturer's invoice. However, some companies say that the invoice should reflect what is *shipped*, which may or may not be exactly what is *ordered.*

This fundamental difference may be one of the key root causes of invoice discrepancies. Several reasons may exist for why a manufacturer does not ship exactly what a customer orders. For example, the customer could order an item not offered by the manufacturer or the manufacturer may not have sufficient inventory to fill the quantity ordered.

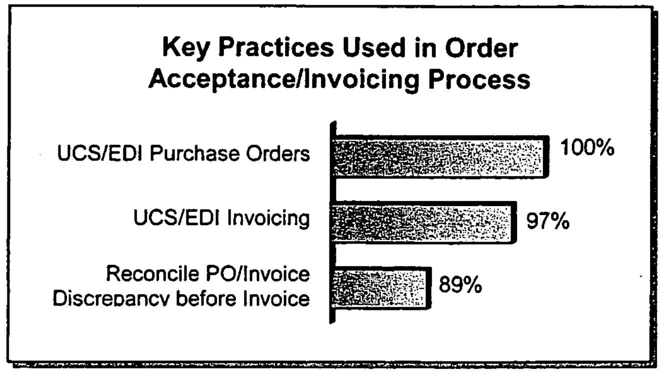
Regardless of the reason, the industry has a clear opportunity to improve communication between trading partners about what is actually shipped. It is recommended that trading partners improve communications about the data elements on an invoice as early as possible to reduce discrepancies and the resulting administrative costs associated with resolution.

Invoice Accuracy Findings

Companies that measure invoice accuracy use *deductions as a percentage of sales*, plus *deductions as a percent of total invoices*. Most – 67 percent – measure it monthly, as seen in past years.

Although not all companies report they measure invoice accuracy, the majority take some steps toward achieving a more accurate invoice. For example, most companies said they match critical purchase order elements before processing an order or invoice, including U.P.C., price, allowance, quantity and delivery information.

In addition, most companies use various key tools and practices as part of their order acceptance and invoicing processes. All report using UCS/EDI purchase orders with at least some customers.



Invoice Deductions Findings

Deductions, as a percentage of annual invoiced sales, are slightly higher this year, 8.5 percent vs. 8.1 percent last year. The number of deductions as a percentage of total invoices increased by 10 points this year to 45 percent.

Other key findings include:

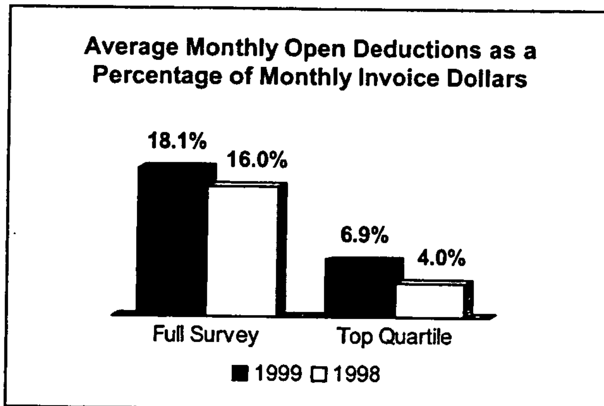
- Promotion, billbacks and pricing continue to be the largest cause for deductions according to 68 percent of companies, compared to 60 percent last year.
- Open deductions tend to be very new – 30 days or less – for 35 percent of total open deductions – or very old – 120 days or greater for 24 percent.
- This year, more deductions are resolved in favor of the customer – 83 percent of total dollars this year – vs. 78 percent last year.
- Thirty-three percent of companies measuring customer profitability include the cost of handling deductions, double last year's level.

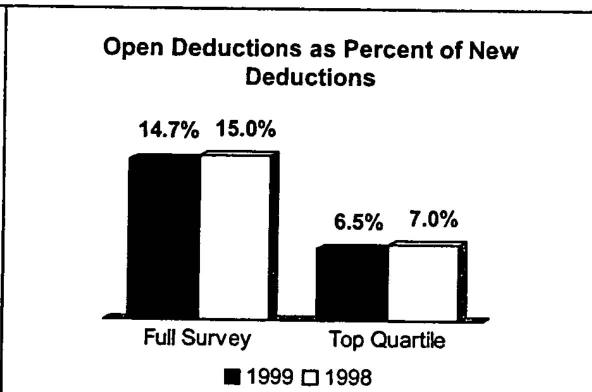
Respondents report improved communication and simplified pricing and promotional programs have helped decrease their deductions.

Top Quartile Performance

The top quartile of respondents with the lowest level of deductions is examined to determine if these companies have common experiences or practices that may contribute to their overall lower deduction levels. Compared to the survey average, companies in the top quartile:

- Have much lower levels of open deductions.
- Are more than twice as likely to give incentives to their sales force to improve invoice accuracy.
- Are more likely to use customer accounting teams with dedicated deduction specialists to manage invoice deductions.
- Are more likely to use a cross-functional team to improve invoice accuracy.





Successful Business Practices

Survey participants report several business practices that result in improved invoice accuracy and/or lower levels of deductions:

- Reduced complexity of pricing and promotional programs.
- Improved information systems.
- Improvements in and increased use of EDI for data synchronization.
- Increased emphasis on improving and measuring invoice accuracy and deductions.

Organizational Structure

A majority of respondents report that resources dedicated to invoice accuracy and deductions management have not changed over the prior year. A majority of respondents also report:

- Finance or customer service divisions are responsible for measuring and improving invoice accuracy.
- The sales organization is not given incentives to improve invoice accuracy.
- Invoice deductions are managed by customer account teams where members are responsible for deductions.

The following report contains more detail on these findings and includes other measures and actions taken by food, beverage and consumer packaged goods companies affecting invoice accuracy.

About the Survey

Background

This year marks the Grocery Manufacturers of America's sixth annual benchmarking survey on invoice accuracy issues.

Last year's survey contained significant changes from prior years – changes that were also included in the 2000 questionnaire to continue capturing trend data. With the goal of continually improving each year's reporting, the GMA Invoice Accuracy Steering Committee also made enhancements to existing questions and added new areas of inquiry in the 2000 questionnaire.

Benchmarking is recognized as an effective technique to help individual companies understand how they compare to others through industry averages. In addition, business-practice benchmarking provides companies with insight into how they can improve their own practices (i.e., achieve higher levels of invoice accuracy) based upon other companies' actions.

The findings and averages in this report were developed from information provided by the companies responding to the survey and, therefore, may not be the same as what other companies experience. In addition, responding companies vary each year, and some companies do not answer all questions. Prime Consulting Group, inc. developed this year's survey following techniques that were similar – but not identical in all cases – to those used in previous reports.

Methodology

The GMA Invoice Accuracy Steering Committee authorized Prime Consulting Group, inc. to conduct a confidential survey of member companies of GMA. The committee defined the various elements contributing to invoice accuracy to be addressed in the survey. The questionnaire's format changed slightly from prior years and included three distinct sections:

- Invoice accuracy measures, practices and issues.
- Invoice deductions measures, practices and issues.
- Company organizational structure as it relates to invoice accuracy and deductions management.

Each section of the questionnaire requested specific data or information from companies in the above areas. The report follows the same format as the questionnaire.

In this report, survey participants supplied 1999 data. When trend data is included in this report, the same data labeling methodology is used (i.e., 1998 data was reported in 1999 and so on). Several questions about company practices were included in the survey to determine if any correlations exist between specific business practices and survey measures.

Definition of Measurements

This report includes several invoice accuracy and deduction measurements. The derivation of these measures is described below:

- ***Average*** – The average is defined as the sum of all responses divided by the number of respondents answering. The average is used to report many findings. No attempt was made to weight any averages. In certain cases, the minimum and maximum data are excluded if found to skew the average.

- ***Top Quartile*** – In some areas, the top quartile of survey respondents is reported, which represents companies performing in the top 25 percentile of the total survey for a particular action or measure. For example, the top quartile of respondents with deductions as a percentage of sales would include those 25 percent of companies with the lowest level of deductions.

In both the 2000 and 1999 invoice accuracy reports, averages (as defined above) were used to compute industry averages. In prior years, the median (midpoint value) was used to report data. Therefore, in certain trend information in this report, both data measures may be included.

Top quartile results are included to provide another benchmark for companies for whom the total average may not be appropriate. As this survey generated fewer responses than prior surveys, the top quartile results are calculated with a fewer number of companies. However, the top quartile results are generally consistent with past years.

Respondent Profile

Thirty-five companies responded to the 2000 questionnaire. Some were divisions or subsidiaries of parent companies. The total companies responding averaged:

- Annual invoiced sales of $2.3 billion in 1999 (North America only).
- Monthly accounts receivable balances of $154 million.

The majority – 93 percent – of respondent companies' sales are warehouse delivered. Just one company reported the majority of their sales are distributed via direct store delivery (DSD).

Fifty-six percent of companies report using a combination of warehouse and DSD methods. For companies participating in both 1999 and 2000, the percentage breakout is similar.

This year's survey has a slightly different distribution of company sizes compared to prior years. Just over half – 51 percent – of respondents report 1999 sales over $1.1 billion, compared to all other years when the majority of surveyed companies had sales less than $1.1 billion.

Respondents' Annual Sales

Sales Volume	*1999*	*1998*	*1997*	*1996*
Manufacturers<$1.1 billion	17	32	22	36
Manufacturers>$1.1 billion	18	21	21	24
No Response to Sales Volume	0	2	2	8
Total	***35***	***55***	***45***	***68***

Fifty-four percent of respondents report that they measure invoice accuracy, compared to 73 percent last year. This decline may be due to losing survey respondents that measured invoice accuracy in the 1999 survey and gaining respondents in 2000 that do not measure it. In addition, only 59 percent of those specific companies that responded to both this year's and to last year's survey measured invoice accuracy.

Although the current survey contains fewer companies who report they measure invoice accuracy, in general, the survey results did not vary significantly from last year. This suggests that companies who measure invoice accuracy may not take unique actions to improve it when compared with those companies that do not measure it. In addition, companies who do not measure invoice accuracy may measure related areas, such as deductions. This measurement may prompt them to take actions similar to those companies measuring invoice accuracy.

One significant difference between this year's and last year's respondents involves who is responsible for measuring invoice accuracy. Last year *all* companies had someone responsible for this specific task; this year, 20 percent have no one.

Invoice Accuracy Measurements & Practices

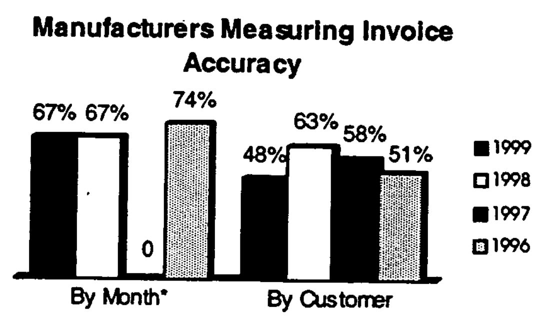
Measuring Invoice Accuracy

Fifty-four percent of respondents report that they measure invoice accuracy, compared to 73 percent last year. Of those companies measuring invoice accuracy:

- Sixty-three percent use *dollars deducted as a percentage of sales* as a measurement. This level is slightly lower than the approximately 70 percent level reported in prior years.
- Forty-two percent use *invoice deductions as a percentage of total invoices*, slightly more than the 35 percent reporting this measure last year.
- Thirty-seven percent measure invoice accuracy as a *percentage of critical purchase order (PO) elements* on the customer's PO matching the manufacturer's internal price and deal files. This is similar to last year's 35 percent of respondents.
- Twenty-one percent say they use the *percentage of customer remittances received* that is automatically matched to open invoices and/or credits on the manufacturer's system, 14 percent lower than last year.

Of companies measuring invoice accuracy, 63 percent report they measure *purchase order accuracy on the front end* – as originally received by their company. Fifty-eight percent report measuring *invoice accuracy on the back end* – as the invoice is sent to the customer.

Companies measuring invoice accuracy mainly do so monthly, consistent with surveys in prior years. In this year's survey, 67 percent say their companies measure invoice accuracy monthly, while 22 percent say they measure it daily. Forty-eight percent of respondents report they measure invoice accuracy by customer, a decrease of 15 percent from last year.



*1997 data not available by month.

Companies measuring invoice accuracy are split evenly regarding their customer data sharing activities. The 50 percent sharing invoice accuracy measurement data do so mainly in customer meetings or business reviews.

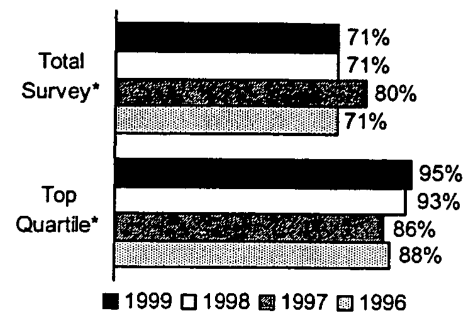
Purchase Order Matching

Companies report that they received approximately 126,000 purchase orders in 1999. Excluding continuous replenishment (CRP) and vendor-managed inventory (VMI) orders, 71 percent of respondents' purchase orders contain all critical elements (U.P.C., quantity, price and allowances) to enable a pre-invoice match.

Unlike the total survey, the top quartile has seen an increase in this measure over most of the years of this survey. This could be a key factor in their ability to reduce their level of invoice errors.

For CRP/VMI customers, the percentage is lower. An average of 60 percent of all CRP/VMI orders received include confirmations that contain the critical elements for matching.

Percentage of Purchase Orders Received Containing All Purchase Order Elements



** In '96 and '97, median was used as a proxy for average.*

However, half of respondents using CRP/VMI say 100 percent of orders have confirmations with all critical P.O. elements. Ninety-four percent of respondents with CRP/VMI customers say they receive data exclusively through EDI from 91 percent of these customers.

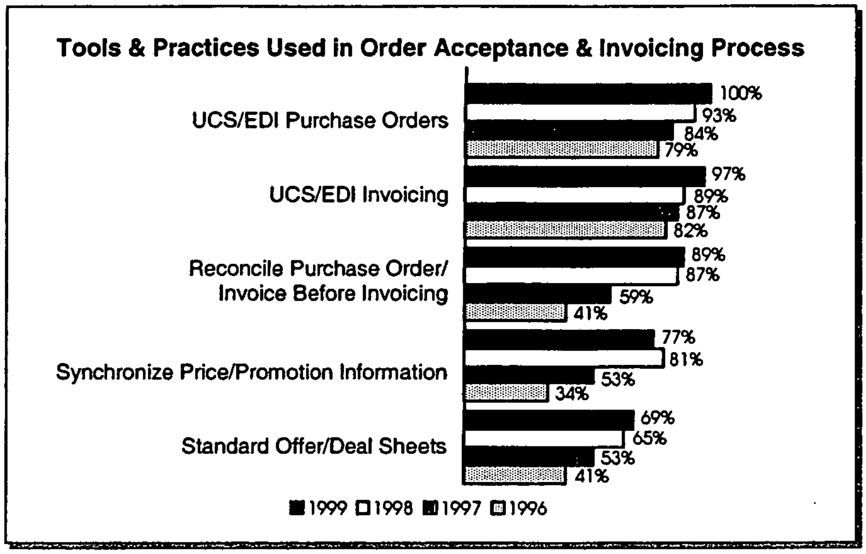
Of companies matching purchase order elements before processing an order or invoice, most indicate that they match U.P.C., price and quantity.

Although respondents indicate price is important to match, the respondents report that price is included on about 83 percent of purchase orders, compared with approximately 95 percent of purchase orders containing U.P.C., quantity and shipping information.

Order Acceptance and Invoice Processing

As in prior years, companies report using various tools and practices as part of their routine invoice processing. The upward trend in the number of companies using selected tools and practices continues this year.

All respondents say they use USC/EDI purchase orders in processing with at least some customers. All respondents report each tool or practice they use is at least somewhat effective in improving invoice accuracy.



Causes for Inaccurate Invoices

Allowances and pricing differences were named as the top causes for inaccurate invoices, consistent with last year's findings. Differences in the number of cases are also ranked near the top of the list.

The causes, in order of highest rank, include differences in:

1. Allowances
2. Pricing
3. Number of cases
4. U.P.C.
5. Terms of sale

Sequence is determined by frequency of mention and individual participant ranking. While rankings vary by individual company, almost all companies rank allowances or pricing differences as the number one cause of inaccurate invoices.

Obstacles in Achieving Invoice Accuracy

Companies report hurdles in achieving invoice accuracy similar to what they list as the top causes for inaccuracy. This implies that companies are aware of issues, but resolving them is challenging.

Companies seek to improve invoice accuracy in the following areas:

- Simplify complex pricing, promotions and/or deal structures.
- Synchronize data with brokers and customers.
- Improve communication of pricing, deals, etc. to customers and within their own organizations.
- Increase systems capabilities and add supporting resources.

Improving Invoice Accuracy

Although areas for improvement remain, respondents report making changes that improved invoice accuracy.

Actions taken resulting in improved invoice accuracy include:

- Making system enhancements or obtaining new systems.
- Simplifying pricing and promotion plans.
- Using EDI to aid in data synchronization.
- Implementing data synchronization and/or matching purchase order with invoice.
- Increasing the emphasis on improving and/or measuring invoice accuracy.

As indicated, companies have taken some steps to improve invoice accuracy. However, they realize they have a long way to go before achieving it, as evident in their reported near- and long-term goals to achieve greater invoice accuracy.

Near-term plans to improve invoice accuracy include:

- Implementing EDI.
- Improving information systems.
- Increasing data synchronization efforts.
- Beginning measuring invoice accuracy and/or deductions.
- Improving communications with the customer.
- Simplifying pricing structure.

Long-term plans to improve invoice accuracy include:

- Beginning measuring invoice accuracy and/or deductions.
- Improving information systems.
- Increasing use of EDI.
- Improving data synchronization.
- Simplifying or change pricing structure.

This year's survey participants differ in their approaches to invoice accuracy improvement and are in various phases relative to other companies. As a result, several near-term goals listed by certain companies are the same as the long-term goals mentioned by other companies.

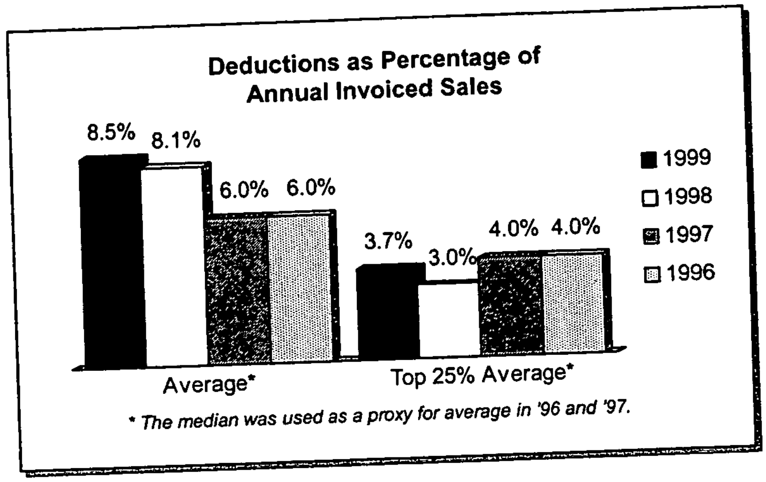
Invoice Deductions

Deduction Measurements

Deduction Levels

The deduction level – deductions as a percentage of annual invoiced sales – averages 8.5 percent for all respondents.

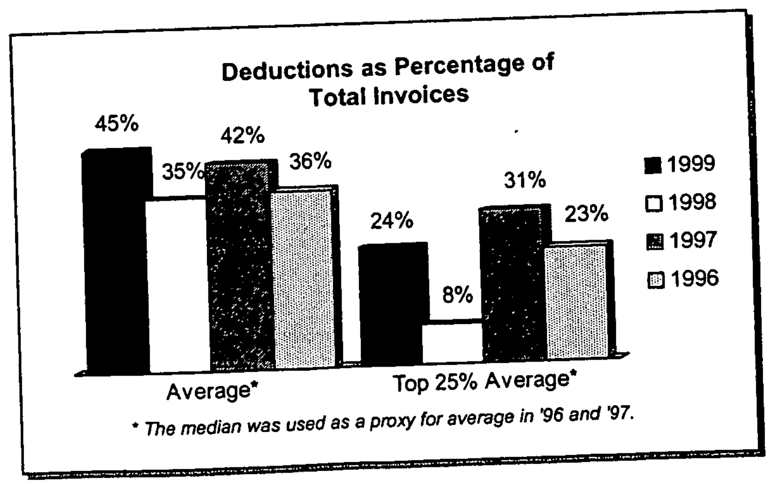
This percentage is slightly higher than last years, and is an increase of more than two points over 1996 and 1997. The top quartile's deductions level is also slightly higher this year vs. last, at 3.7 percent. In the past four years, the top quartile's deduction level consistently remains about 4 percent even though the same companies are not necessarily always in the top quartile.



Deduction Frequency

The frequency of deductions – deductions as a percentage of total invoices – is 10 points higher this year than last. In the six years since the survey began, deduction frequency has ranged from 35 percent to 45 percent.

The top quartile's deduction frequency is 24 percent, 16 points higher than last year's top quartile. Much of this difference can be attributed to the DSD companies in the top quartile last year. DSD companies generally have a large number of invoices and, thus, their deductions as a percentage of total invoices tend to be lower. This year's survey had no DSD companies in the top quartile.

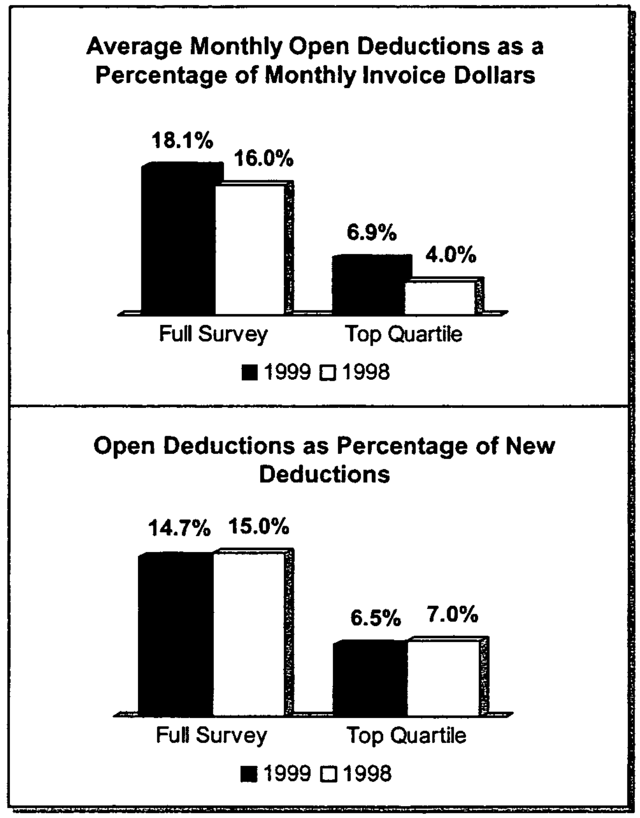


Also, the full survey's deduction frequency is higher, causing the top quartile to be higher than 1998's percentage, but closer to 1997 and 1996 levels.

Top Quartile Performance

The top quartile of companies with the lowest level of deductions is examined to determine if these companies have any practices or measures that are different from those of total survey respondents.

The top quartile companies experience much lower monthly open deductions as a percentage of monthly invoice dollars than the total survey.



Open deductions as a percentage of new deductions, is also lower for the top quartile of companies, at 6.5 percent, compared to 14.7 percent for the average of all survey respondents.

The top quartile also shows other differences unique from the total survey. Most of these involve the way in which invoice accuracy and deductions are managed in the organizations.

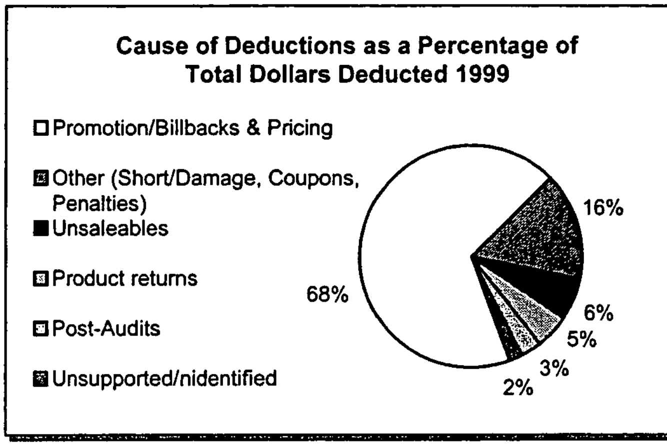
- Half of the companies in the top quartile have a cross-functional team in place to improve invoice accuracy, compared to 23 percent for the total survey.
- Top quartile companies are more than twice as likely as total survey respondents to provide incentives to their sales force to improve invoice accuracy, 50 percent vs. 23 percent.
- The top quartile is more likely to use customer account teams with dedicated specialists to manage invoice deductions. Thirty-eight percent in the top quartile responded this way, vs. 16 percent in the total survey.

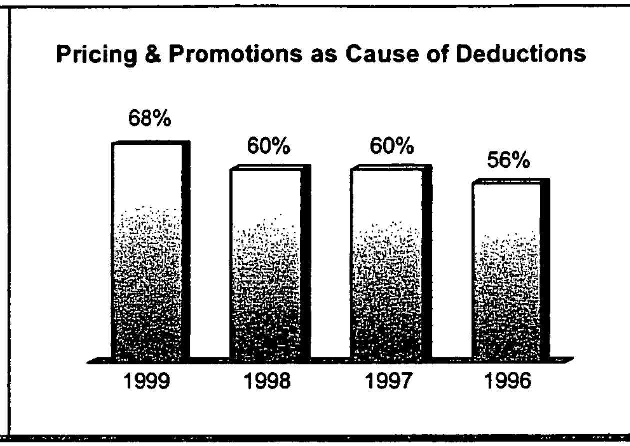
Half of the companies in the top quartile experienced an increase in deductions management resources over the last year, while 50 percent saw no change. Of the full survey, only 31 percent had an increase, while 23 percent of respondents experienced a decline.

All top quartile respondents report no change in the level of invoice management resources. However, 12 percent of the full survey saw a decline. This apparent greater emphasis on invoice and deductions management resources by top quartile companies may contribute to their lower deduction levels.

Causes for Deductions

Promotions, billbacks and pricing, at 68 percent of total closed deductions, continue to be the biggest source of deductions for companies.

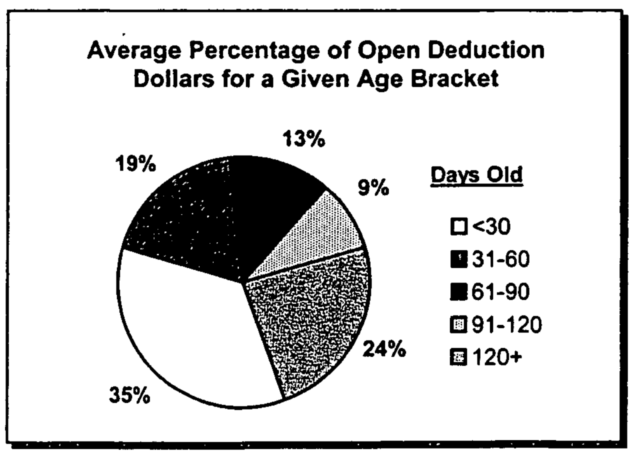




Many – 56 percent – companies allow deductions as a form of payment. These companies would not view these deductions as invalid as long as they followed their specifications.

Open Deductions

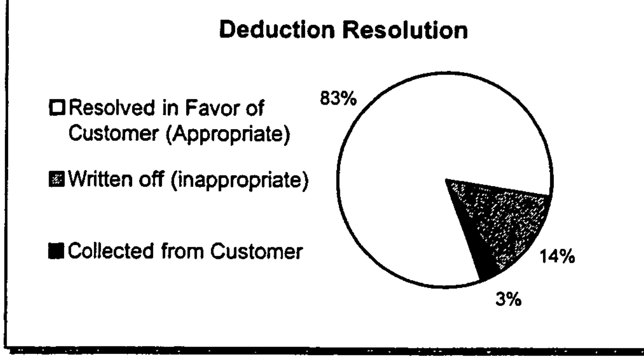
Companies report that the majority of their open deductions – 35 percent – tend to be 30 days old or less, with the second greatest percentage – 24 percent – being more than 120 days old. This suggests that some deductions can be resolved relatively quickly while the ones that require more research tend to stay open for longer periods.

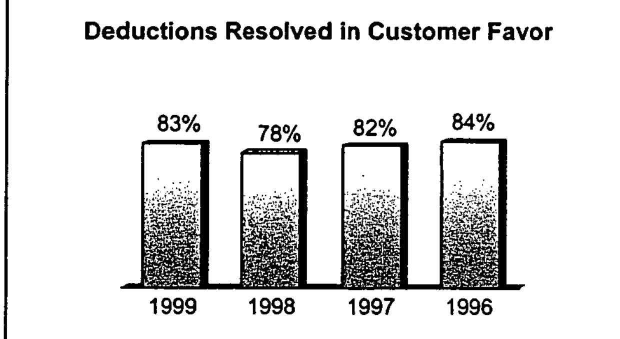


Almost 45 percent of deductions are unidentified when the manufacturer receives them, according to respondents. Unclear reasons for deductions lead to research and follow-up by manufacturers, extending the length of time that a deduction remains open.

Resolving Deductions

Again this year, most deductions are reported to be resolved in favor of the customer (i.e. the deduction is determined to be appropriate). A smaller percentage of these deductions is written off and determined inappropriate than reported in prior years.



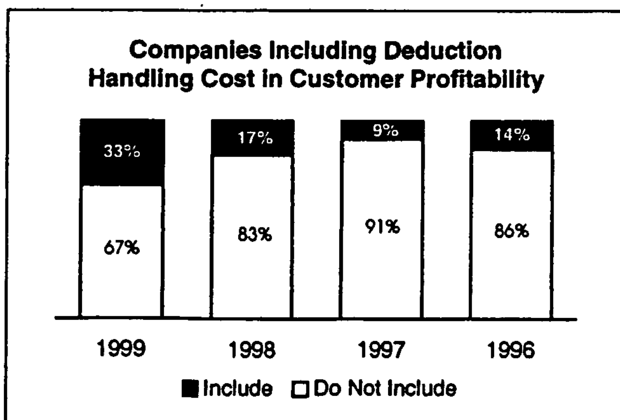


Deductions Handling

More than half – 56 percent – of companies report they know the cost of clearing a deduction. Fifty-five percent responded this way last year. This cost most often included time for:

- Sales and sales support staff.
- Customer service.
- Accounting and finance.
- Brokers.

These factors are similar to those reported last year. This year, companies report broker time is included in deduction cost clearing almost as often as accounting/finance time.



Eighty-six percent of respondents measure customer profitability. Of these, 33 percent include the cost of handling deductions in their analysis of customer profitability.

Deductions Management

Seventy-one percent of companies say they use a deductions management system, about the same percentage as last year. Companies using this type of system are slightly more likely to use their own internal systems rather than a third-party system.

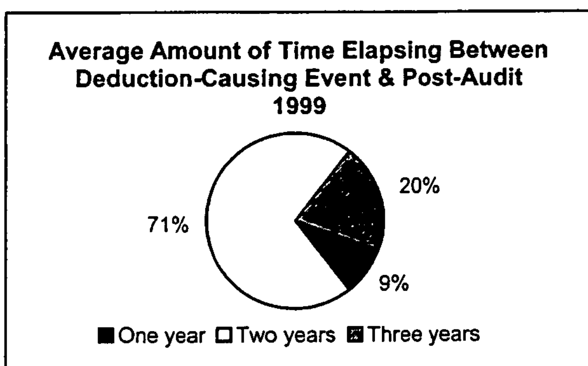
Similar to last year's findings, more than half of the companies say they plan or encourage deductions as a form of payment from customers. These companies report that 61 percent of total deductions are planned or encouraged, consistent with 1999's findings.

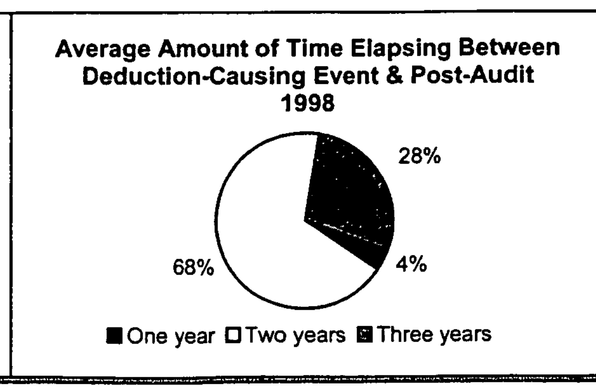
About half – 47 percent – of companies report using holding accounts (pre-payment programs) for trade promotions. Of these, 83 percent say these types of accounts or programs have reduced deductions by an average of 29 percent.

Post-Audit Deductions

Almost all respondents say they review each post-audit deduction on an individual basis before determining whether to accept or charge it back to the customer. Just 6 percent report performing some other type of function. This question was significantly reworded from last year; therefore, no comparison is made to last year's response. After review of each post-audit deduction, companies report they find an average of 60 percent of the deductions are valid.

About 71 percent of companies say two years is the average amount of time that elapses from the date of the underlying event causing a deduction to the date a post-audit deduction is received. Twenty percent say three years is the average amount of elapsed time, while 9 percent said one year. No company reports four years or longer. These findings are consistent with the prior findings.





Although most companies report researching deductions, they also use an automatic write-off level below which no research is conducted.

Areas to Improve Deduction Levels

Survey respondents report several factors that increase deductions in their organizations. The top contributors to deductions are pricing and promotional deal complexity; acquisitions, transitions or organizational change; and poor communication. These factors are similar to those reported last year, although poor communication *per se* was not reported last year but was mentioned as an underlying reason. In addition, internal change is reported more often as a factor this year.

Factors that increase deductions:

- Pricing/promotional deal complexity – 43 percent.
- Organizational change (sales force transition, mergers, etc.) – 43 percent.
- Poor communication (both internal and with customers) – 34 percent.
- Post audits – 26 percent.
- Billbacks, market development funds and other marketing practices – 20 percent.
- Lack of systems/resources – 11 percent.

(Percentages indicate frequency of mention by all participants. Multiple answers.)

Companies report making a number of changes to reduce deductions.

Factors that decrease deductions:

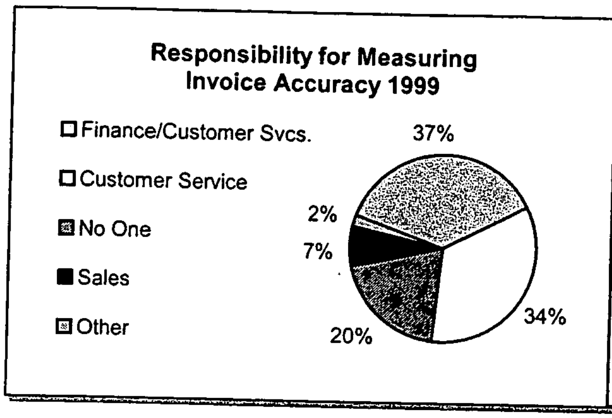
- Improved communication – 42 percent
- Less complex pricing/promotional programs – 39 percent.
- Increased focus on reducing deductions – 32 percent.
- Systems improvements – 23 percent.
- Increased resources – 23 percent.
- Data synchronization – 10 percent.
- Increased off-invoice deals – 10 percent.

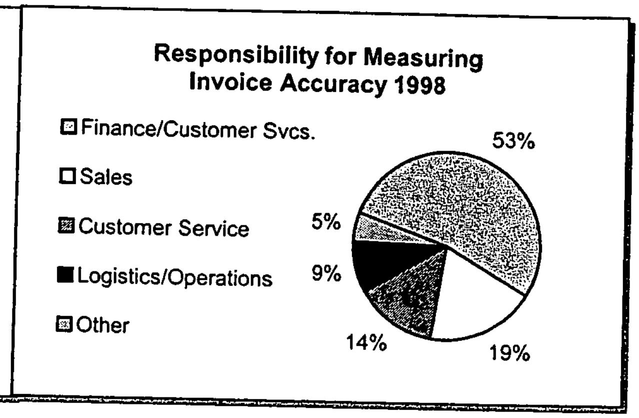
(Percentages indicate frequency of mention by all participants. Multiple answers.)

Organizational Structure and the Impact on Invoice Accuracy

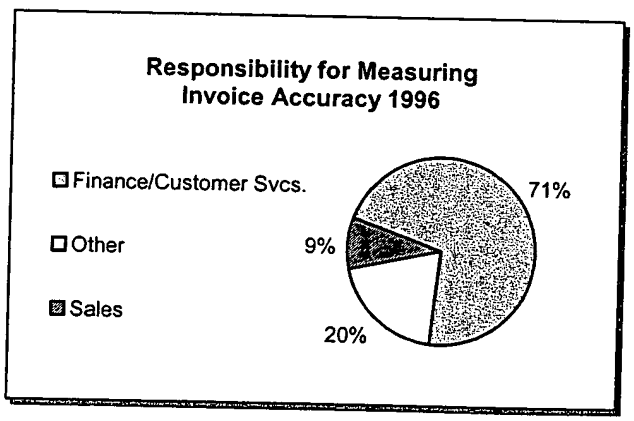
Responsibility for Measuring Invoice Accuracy

The finance or customer service divisions most often have responsibility for measuring invoice accuracy, according to respondents. Although the finance division was mentioned in past years as having a major share of the responsibility, customer service (separate from customer financial services) is mentioned more often in this year's survey.





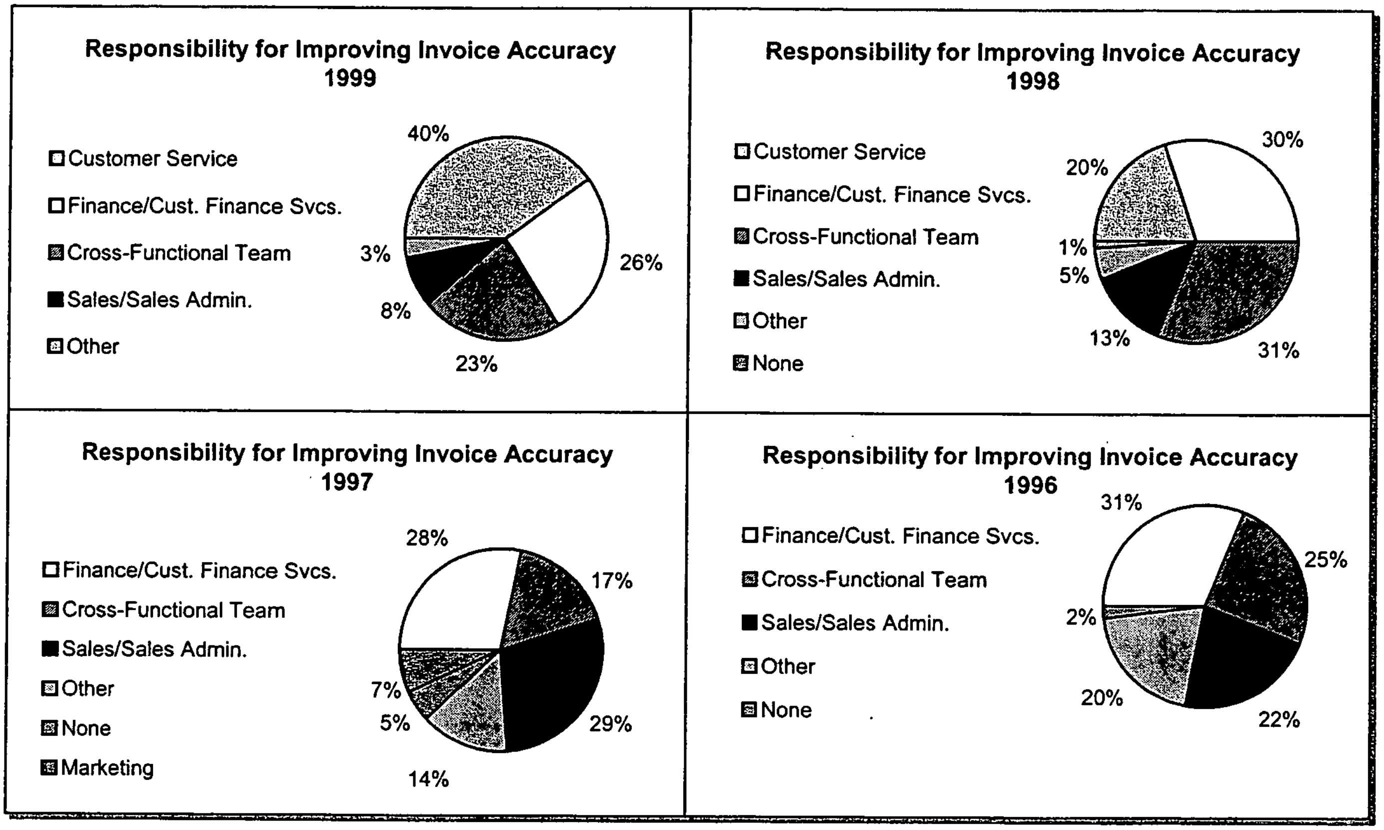
(NOTE: 1997 Data not available.)



Twenty percent of companies reported that no one is responsible for measuring invoice accuracy, the next greatest percentage after finance and customer service. Last year, not a single company reported that no one in their organization was responsible.

Responsibility for Improving Invoice Accuracy

The customer service or finance divisions have the majority of responsibility for improving invoice accuracy, similar to the responsibility levels reported for measuring it. Customer service has the largest portion of the responsibility for improving invoice accuracy than the finance division, 40 percent vs. 26 percent. Both divisions are about equally responsible for measuring it.



The sales department is reported to have the primary responsibility for improving invoice accuracy less often than prior years' studies. This fact is consistent with the finding that fewer companies mention that the sales department is responsible for measuring invoice accuracy. All companies say a specific department or team is responsible for improving invoice accuracy, although 20 percent have no one responsible for measuring it. Companies may find it more difficult to measure results but believe they can take actions to improve invoice accuracy.

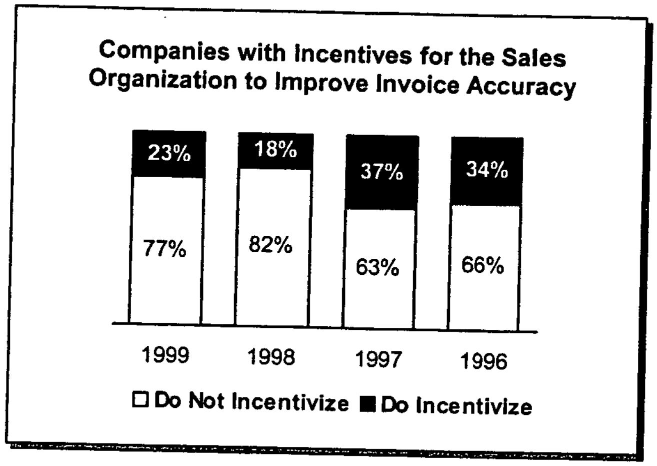
Sales Incentives

As reported in prior surveys, most companies do not give the sales organization incentives to improve invoice accuracy.

This year 23 percent of companies respond they do give such sales force incentives – a five-point increase from last year.

Those companies that do not provide sales with incentives for increasing invoice accuracy give various reasons, including:

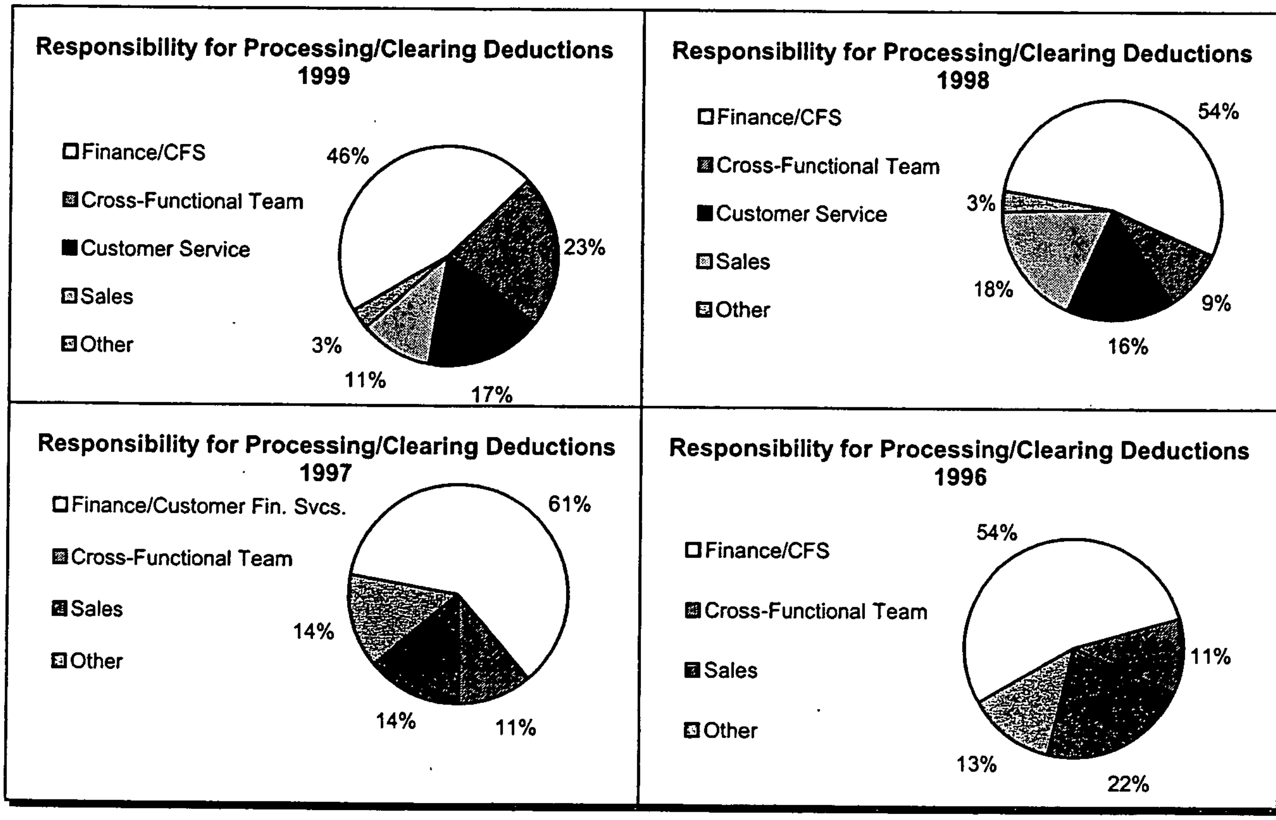
- Sales division is not responsible for invoice accuracy.
- Measurements/systems are not in place to hold the sales force accountable.
- Low priority within the company.



Companies that are providing incentives to their sales forces to improve invoice accuracy do so by tying bonuses and/or performance reviews to key measures, such as lower deduction levels.

Responsibility for Resolving Deductions

Finance, customer service or cross-functional teams are responsible for clearing and processing deductions in 86 percent of responding companies. These functional areas are also the top three departments listed as responsible for improving invoice accuracy, indicating that companies rely on the same divisions to resolve deductions, and to improve the invoicing process.

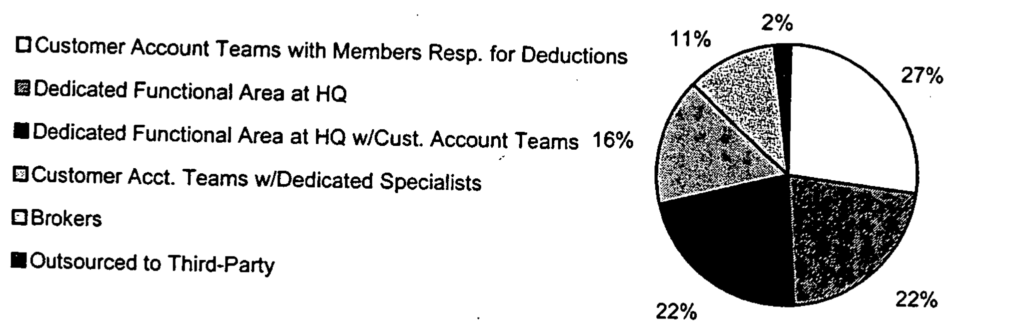


This year's reporting is fairly consistent with prior years, although the use of cross-functional teams is at least 10 percentage points higher than in prior years, and the sales division has less responsibility than reported in past years.

Invoice Deduction Management & Resource Levels

Twenty-seven percent of companies manage invoice deductions through customer account teams where all or most members are responsible for deductions. Twenty-two percent of companies use a dedicated functional area at headquarters to manage invoice deductions. The same percentage use a functional area aligned with customer account teams.

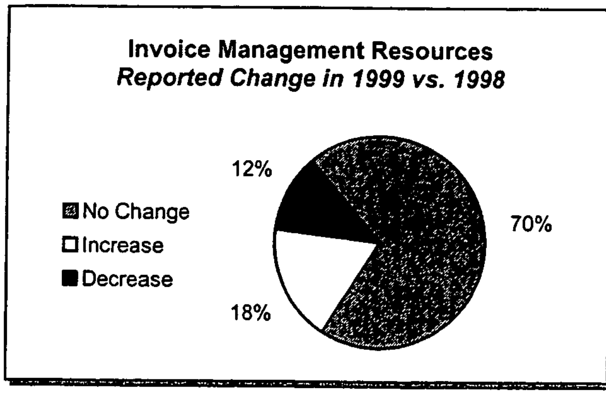
Invoice Deduction Management Methods

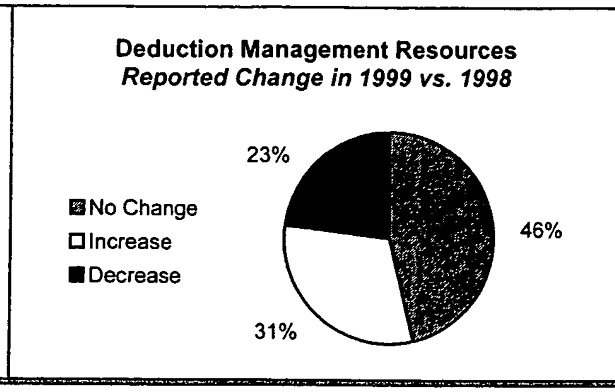


Companies generally gave the same reasons for using the selected invoice deduction management methods, regardless of the type used. The major reasons for managing deductions in the manner chosen, include:

- Keeping affected parties involved and communicating.
- Making it easier to monitor and resolve deductions this way/closer to source.

Most companies report that their invoice and deductions management resources have not changed over the past year. However, this percentage was much higher for invoice management resources – at 70 percent – compared with 46 percent for deduction management. In both resource areas, more companies are increasing their resource levels than are decreasing it.





Companies appear to experience more fluctuation in the deductions management resources area, either as an increase or decrease, than in their invoice management resources.

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